



head

Steven L. Beshear
Governor

Leonard K. Peters, Secretary
Energy and Environment
Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda K. Breathitt
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovich
502-782-2564 or 502-564-3940
502-330-5981 (cell)
Andrew.Melnykovich@ky.gov

PSC Allows Closure of Lovelaceville Water Company *Small utility in Ballard County will cease operations on Feb. 2, 2015*

FRANKFORT, Ky. (Oct. 31, 2014) – The Kentucky Public Service Commission (PSC) has given permission for Lovelaceville Water Company to cease operations and to close and abandon its system.

Service to any remaining customers will end on Feb. 2, 2015.

In an order issued today, the PSC said it wants Lovelaceville Water customers to have enough time to make alternative arrangements for water service. Those could include drilling wells or installing cisterns.

The PSC found that the deteriorating physical and financial condition of Lovelaceville Water made it impossible for the company to continue operations. Thorough efforts to find another entity willing to either operate or take over the system yielded no results, the PSC said.

“The Commission regrets the loss of water service to those customers in Lovelaceville,” the PSC said in today’s order. “However, the Commission also recognizes (current owner Eric) Young for his efforts to continue operation of the utility.”

Obstacles to continued operation of the utility include the need to completely overhaul the system, a dwindling customer base that makes it impossible to raise enough revenue through rates and an inability to obtain financing, the PSC said.

As a privately owned for-profit entity, Lovelaceville Water is not eligible for the grants or low-interest loans available to non-profit rural water systems, the PSC noted.

Lovelaceville Water filed an abandonment petition with the PSC in March, seeking authorization to shut down the system, which had about 55 customers at the time.

Since then, the number of customers has fallen to 42, largely because of customers installing wells in anticipation of the utility being abandoned. Of the remaining customers, only about 25 are current on their bills, Young stated in testimony before the PSC.

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Among the technical problems faced by the company is the inability to permanently disconnect customers who are not paying their bills. Young told the PSC that customers he has disconnected for non-payment frequently restore service themselves.

The PSC conducted two public meetings in Lovelaceville, in May and on Sept. 16, to inform the company's customers about the abandonment process. The evidentiary hearing in the case was conducted in Frankfort on Sept. 17.

At that hearing, Young testified that increasing rates was not a realistic option for raising the money needed to upgrade the water system. It would simply result in fewer customers paying their bills and more customers leaving the system, he said.

Lovelaceville Water Co. was the only party to the case.

Before authorizing the abandonment of Lovelaceville Water, the PSC contacted several utilities in neighboring counties. All cited the size, condition or location of the system as reasons for being financially unable to operate or acquire Lovelaceville Water.

"Ballard County has not expressed an interest in forming a water district to maintain service to its citizens in Lovelaceville," the PSC said in today's order. Nor have the customers expressed any interest in taking over the system, the PSC said.

"No feasible solutions for continued operation appear available," the PSC concluded.

The PSC said Lovelaceville Water should make provisions for an orderly and safe closure, including disconnection of electric service, shutting down its two wells and severing the lines from those wells. It also ordered the company to notify its customers of the impending closure.

Today's order, other records in the case and a video of the evidentiary hearing are available at the PSC website, psc.ky.gov. The case number is 2014-00136.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.